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ABSTRACT

This collection of five essays on public higher education in New York State treats challenges and conditions for public institutions during the current and continuing conditions of financial austerity. The first, "Productivity and Cost Containment: The Challenge of Pubic Sector Budgeting" looks at financial management and budgeting as those functions are influenced by the larger public sector budgeting. The second, "The Case for Differential Undergraduate Tuitions" presents the complexities accompanying this strategy, argues in favor of differential tuitions and tries to put the significance of the issue in perspective. The third essay, "The Case Against Income-Linked Tuitions for SUNY and CUNY" argues that income-linked tuitions at the State and City Universities of New York would not make good economic, political or technical sense and would push the parental contribution to the limit. The fourth essay, "Budget Options for SUNY in the Face of Additional Major Cuts in General Fund Appropriations," addresses strategies for the university during the current financial crisis. The final essay, "Exploration of Campus Closures in Response to Further Deep and Seemingly Permanent Cuts in State Tax Support," enumerates the facts and principles which would influence such a radical move as closing down a campus. A brief conclusion describes the key mission of public higher education in the face of the likelihood of continued financial austerity. (JB)

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NUMBER 2

STUDIES IN PUBLIC HIGHER EDUCATION

STATE UNIVERSITY OF NEW YORK

WORKING PAPERS IN A TIME OF FISCAL CRISIS

D. Bruce Johnstone

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Productivity and Cost Containment: The Challenge of Public Sector Budgeting 1

The Case for Differential Undergraduate Tuitions 7

The Case Against Income-Linked Tuitions for SUNY and CUNY 16

Budget Options for SUNY in the Face of Additional Major Cuts in General Fund Appropriations 23

Exploration of Campus Closures in Response to Further Deep and Seemingly Permanent Cuts in State Tax Support 35

Conclusion 45

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Productivity and Cost Containment: The Challenge of Public Sector Budgeting

One of the greatest frustrations in the increasingly frustrating job of heading a college or university is to have to contend not merely with those challenges that seem inexorable — demographics and declining numbers of high school graduates, for example, or the sharp rise in the cost of energy and scientific equipment and library books and periodicals, or the decline in tax revenues and concomitant increase in public welfare obligations during economic recessions — but having all of these challenges magnified by the seemingly unnecessary inefficiencies and disincentives of public sector budgeting.

Unlike the financial and managerial problems that are common to public and private universities, the peculiar inefficiencies and disincentives faced by public colleges and universities are almost incomprehensible to our private sector brethren. The very thought that increased savings or additional income generation could, and probably would, be wiped out by a commensurate decrease in tax support seems bizarre. Similarly, actions that are entirely rational in the private sector, like raising tuition or lowering enrollment to get "ahead of the curve," may be foolish and quite irrational in a public system that merely punishes such seemingly sensible behavior.

The following essay, "Productivity and Cost Containment: The Challenge of Public Sector Budgeting," was written as a contribution to Policy Perspectives, *the newsletter of the Pew Foundation-sponsored Higher Education Roundtable. As a member of that roundtable, and in other discussions involving colleagues whose experience had been entirely in the private sector, I had been struck by the differences in our challenges and our strategies, and contributed this brief essay to my colleagues' edification.*

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The 1990s are shaping up to be a period of unprecedented austerity in the post-World War II history of the nation's public sector. Actually, most of the federal, state, and local public sec-

tors do not think that the 1980s were so hot — with the exception of the quasi-public defense industry and a few public colleges and universities for whom the 1980s, or parts of them, were so much better than the 1970s that things actually seemed good. For the most part, however, the continuation of America's tax resistance, the unrelenting spread and leveling of public priorities, and the constant addition of new regulations thought by lawmakers necessary to protect us from ourselves, all exacerbated in the early 1990s by a recessionary economy and the shortage of public tax revenues, means that most of the public sector — and this certainly includes most of the nation's 1,560 public colleges and universities — will have to do as much or more with fewer faculty, staff, and real current expense dollars.

Austerity is not confined to the public sector. The hardest-hit colleges and universities in the 1990s, in fact, will almost certainly be those private institutions with minimal endowments, already-thin applicant pools, low yields, and low retention. But public institutions have special features — a result simply of being state-owned and largely state-supported — that tend to thwart good management and actually to worsen the austerity that derives merely from the state's economic conditions. The following three features will not all be found in all public institutions. But all will be found in many, and all public institutions will feel the limiting effects of at least some.

❖ *The principal revenue for general operations — from state taxes — is established annually, generally without any carry-forward provision, by an essentially political process and is driven, at least in recent years, by a dominant motive of reducing the use of state tax revenues wherever possible.*

The consequence of this complex feature, characteristic of nearly all state budget processes, is a powerful disincentive to any institutional savings or to any planned downsizing or major reallocation that assumes the retention of funds temporarily

unspent. Downsizing and major reallocation go on, of course, in the public sector. But they tend to occur in response to budget cuts and the imposition of emergency austerity measures rather than as purposeful, long-range plans.

For example, state budget practices discourage public colleges and universities from acknowledging even the possibility of enrollment losses as a consequence of demographics. Such a confession, which in the private sector might accompany measures to prepare for a possible thinning of the applicant pool or a shortfall in tuition, may be seized upon by a hard-pressed state budget office as a rationale for reducing state support ahead of any actual enrollment reduction. If it should be protested that state budget offices, legislatures, and governors are not so unsympathetic to higher education or ignorant of public sector incentives, the fact remains that many, if not most, public sector presidents, system heads, and boards of trustees have been unwilling to put such understandings and sympathies to the test. Thus, by its short-term volatility and by the tendency of those within the budget process to view savings as an indication of an overly generous budget, rather than of good management, public sector budgeting discourages savings and the reinvestment of existing resources.

❖ *Public sector budgets may prohibit, or at least limit, intercampus and inter-fund transfers.*

Efficiency within any entity for any given budget constraint is maximized at the point when no reallocation of resources among alternative uses can increase the net output or benefits. Thus, if the entity (let us say a university system) would be better off in the long run by shifting resources from capital rehabilitation to operations, or vice versa, or from clerical support to faculty, or from campus A to campus B, then good management would have such shift(s) made. Any essentially artificial constraint on the movement of resources within the system interferes with maximum efficiency.

Virtually all revenue in the private sector, except that which is earmarked by donors or sponsors, is reallocatable, or "fungible." Very often in the public sector, however, funds cannot be so shifted except through the frequently laborious process of state budget office negotiations or, worse, through the annual budget-setting process itself. As a consequence, capital projects may proceed well-funded, while maintenance absorbs heavy cuts, or the faculty lines may be preserved while library acquisitions, equipment, and travel funds necessary for the good use of the faculty are strangled. Some public universities are "single line funded," with nearly all allocation decisions (except for capital) in the hands of the university trustees and administration. Others, however, particularly two and four year colleges, may still be treated more like state agencies, with severe limits on the reallocation of resources — and thus with limits on efficiency and good management.

❖ *Non-tax revenues — tuition, hospital or clinical practice income, research overhead, fees, gift income, etc. — in many states must be appropriated in order to be spent and are thus subject to being substituted for tax revenue support.*

It is in the interest of the state and of its public colleges and universities, within reason and consistent with goals such as assuring broad access to higher education, for these institutions to increase their non-tax revenues. However, nothing will so quickly dry up alumni support or sponsor overhead as the realization that it is going not for enhancement of the institution or for covering the real costs of sponsored research and training, but for a reduction in the share of costs borne by the state taxpayer.

Similarly, tuition, which covers for most public institutions from 15 to 30 percent of education and general expenses, can generally be increased with minimal political opposition if it merely maintains a parent/student share, or (better) if it can be tied to increases in some clearly student-oriented services.

However, if a tuition increase has the effect of reducing what would otherwise have been a tax-originated share of the budget, there will be a clear disincentive upon the Trustees and administration to propose one. And if there cannot be an increase in tuition at all, while costs continue to be driven up merely by the forces of wage and salary increases and the other components of higher education's inflation, the consequence must be either a real loss of resources to the university or a replacement of the missing parent/student "share" by additional tax-originated resources or by fees or by borrowing or by some other revenue source. In either case, considerable political capital may be spent not enhancing or diminishing the total resources available to the institution, but merely shifting the cost burden among parents, students, and taxpayers.

❖ *Faculty and staff, in many public colleges and universities, are state employees whose wages and salaries are established within the same political-financial crucible as the terms and conditions of employment of other state workers.*

The consequence of wages and salaries being set (with or without collective bargaining negotiations) by the state and not by the public university trustees or administration is that the university itself loses control over about 80 percent of its costs. This does not always redound to the detriment of the university. There are probably times when a "better" (which is not always to say a "cheaper") salary policy or labor contract is set by a state personnel or budget office than might have been set by the university trustees. And a state-established wage and salary policy is more likely to be fully funded than one set by the trustees in isolation from the state personnel and budget apparatus. But in the long run, there is almost certain to be a loss of management effectiveness in having such a separation between the major source of cost increases — i.e., increases in wages and salaries — and the source of most other budget and operating decisions, such as the interdepartmental and interpurpose allocation of resources.

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Most of the features described above are common throughout public sectors everywhere, and some are probably fundamental and unchangeable. Others, however, vary by state and even by higher education entities or systems within a state. For the most part, they tend to constrain the allocation and reallocation of resources at the levels — system, campus, school, and department — where such decisions are most likely to be the right ones.

Such features must not excuse lapses in good management and good academic judgment on the part of campus and system trustees, administrators, and faculty consultative bodies. Nor should they obscure the very substantial, and often very generous, levels of support that so many states have brought to their public higher education sectors. But there are some problems and limitations that are peculiar to the budgeting and resource allocating in the public sector. In the absence of sufficient tax-originated resources to do all that most states want to do, some changes in the fundamental rules of the game might give some public colleges and universities at least a better chance to help themselves during the austere 1990s.

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JANUARY 1992

The Case for Differential Undergraduate Tuitions

Tuition at the State University of New York's 29 State-operated campuses (i.e., excluding only the 30 community colleges and the 5 statutory colleges of Cornell and Alfred Universities) must, by the State Education Law, be the same for all New York State residents "pursuing like degrees." The importance of this provision is that undergraduate tuitions must be the same at all the baccalaureate campuses, whether a research university like Stony Brook or the University at Buffalo, or a comprehensive college like Geneseo or Plattsburgh. This is unlike the public tuition policies in most states, in which the undergraduate tuitions of the research universities are higher than those at the comprehensive colleges.

SUNY's four research university centers have for years wanted to charge higher tuitions and to "break away from the pack" of SUNY's State-operated campuses, for which tuitions had been frozen during most of the 1980s. The frozen tuition had clearly benefitted upper-middle and upper-class students by reducing yearly the real cost of SUNY, but had actually taken money away from the poorest students, for whom the low tuition, although paid for entirely by the State's Tuition Assistance Plan (TAP), served only to reduce the amount of their federal Pell grants. Furthermore, the erosion of the real value of the tuition revenue had not, in fact, been replaced by taxpayer dollars, but by borrowed funds and real cuts, so the frozen tuitions, at least arguably, had contributed to the financial squeeze upon the University that was reaching crisis proportions by the early 1990s. The SUNY doctoral campuses felt that they alone might have a better chance to raise tuitions, perhaps to levels more like the public research universities to which they liked to be compared — assuming, of course, that they would be allowed to benefit from these higher tuitions.

The research university presidents also believed that their demand was more price inelastic — that is, likely to be maintained in the face of price (tuition) increases — than would be the demand at the colleges, especially at the two-year colleges of technology. This assumption, probably partly true and partly wishful thinking, was the source of much of the opposition to differential pricing on the part of the non-doctoral campuses. Several of them

are at least as selective and probably as price inelastic as some of the university centers. None of them wanted to be considered of lesser quality by virtue of lower tuitions. Finally, all of them (at least their presidents and most of the faculty leaders) were also seeking the "unfreezing" of tuitions throughout the entire SUNY system as a matter of self interest and of good public fiscal policy, and they did not want the doctoral campuses to be the only beneficiaries.

The very idea of tuition has been politically volatile in New York State, a somewhat ironic phenomenon when considering the very strong private college orientation of the State and also the existence of by far the most generous of any State need-based grant system, which covers nearly all of the costs of tuition (and all of the cost of any increases) for the State's neediest resident students. But most New York City legislators grew up during the era of a tuition-free CUNY, and the imposition of tuition on their City University during the 1970s, as part of the price of the State's fiscal bailout of New York City, was, in the 1980s, still neither forgiven nor forgotten; this deeply-felt anti-tuition sentiment, at least in much of the City-dominated Assembly, extended as well to SUNY.

This adamant opposition to tuition generally, and certainly to any increase in what, by the late 1980s, was becoming a conspicuously low public tuition ($1,350 per year), especially in comparison to Northwest states, was joined by the systemwide student lobby, which sometimes made it seem as though all that really mattered to SUNY students was that their tuitions would never rise — even though many of the campus student government organizations, recognizing that their tuitions were low but also that their campuses were losing faculty and staff and programs due to budget cuts, were actively arguing for a (small) tuition increase. In a somewhat similar vein, the systemwide faculty and staff union, strongly allied to the New York City labor movement, took up the cry against tuition increases, even though most of the local faculty governance organizations and the systemwide University Faculty Senate were generally in favor of tuitions that could at least keep up with rising costs and that could compensate for what was beginning, in the early 1990s, to be a major withdrawal of State tax resources from the University.

Probably the major focus of the opposition to tuition increases from the mid 80s to the early 90s, at least to the press, was Governor Mario M. Cuomo, whose strong views on anything, including his opposition to tuition, could be counted upon to be delivered with brilliant flair, and always to the delight of the press, particularly if they could report on some kind of conflict or controversy. Most of the Governor's opposition to tuition increases, I am

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convinced, stemmed from his oft-professed conviction that public higher education, in an ideal world, ought to be free, like elementary and secondary education. His opposition to any SUNY tuition increases may also have come from a belief, at least during that period, that SUNY was not sufficiently well managed and thus should not be allowed to escape budget cuts at a time of general state fiscal austerity, even with tuition increases that would have been fully expected, if not necessarily beloved, by the students and parents.

Outside New York City, the average New York State citizen was, and is probably still, more attuned to the private college sector, whose tuitions had been increasing rapidly all during the 1980s, and was likely to be either puzzled by, or resentful at, the great political opposition in New York State to public sector tuition increases.

As a scholar of higher education finance, and thought by my colleagues to be an international authority especially on student finance, student loans, tuition policies, and the like, I found the great emotionalism and divisiveness around the tuition issue to be puzzling and disappointing: "puzzling" because the lines that were drawn did not seem to me to follow either logic or self-interest, and "disappointing" because there were, by the late 1980s and early 1990s, a number of profound issues for higher education generally and SUNY specifically, yet most of the press and at least some of the politicians seemed unable to get beyond their fascination with tuition.

By the 1991-92 budget year, the severity of New York's fiscal crisis and good leadership from the Legislature and Governor broke the impasse over SUNY and CUNY tuition and it increased — a shocking 70 percent in one year. Suddenly, the problem seemed to be no longer a political resistance to what had seemed like a reasonable tuition policy of modest annual increases in line with underlying cost increases, as approved by the Trustees in the Spring of 1991, but a rush toward filling in a virtual hemorrhage of State tax support with tuition dollars.

This is the political-fiscal-media crucible into which I dropped once again, in the winter of 1991-92, the proposal to charge a higher undergraduate tuition at the doctoral campuses than at the four-year university colleges or colleges of technology. The Division of the Budget staff and ultimately the Governor agreed that the Trustees should at least be given the option to differentiate tuitions on the basis of cost, and such permission was included in the Governor's 1992-93 Executive Budget. The fascination with tuition and the opposition to differential tuitions by campus type re-emerged instantly.

I wrote the following essay, "The Case for Differential Undergraduate Tuitions," in January 1992 and distributed it to the campus presidents,

faculty and student groups, political leaders, and the press. My aim was less to convince them of the correctness of my position, which was that undergraduate tuition should be higher at the higher-cost doctoral campuses, and more to put the issue into some perspective. The case is indeed complex, and my argument for differential tuitions based on sector cost differences (i.e., doctoral campuses versus university colleges), and yet my opposition to differential tuitions based on the costs of specific institutions or specific academic programs, is based more on expediency than on principle. Furthermore, an argument for a change in the midst of a fiscal disaster, when the change itself will not immediately alter the relative fortunes of the sectors — although it will immediately alter the relative burdens of two groups of students — is not as easy as the argument for how tuitions should have been established years ago. The threefold purpose of the essay, then, was: (1) to acknowledge these and other complexities; (2) to make the case, still, for cost-based tuition differentials; but (3) to put the significance of the issue into a proper perspective — i.e., the right thing to do, but very far from the most important issue of the 1992-93 budget, and, as I began telling both the press and the elected officials, "frankly not worth falling on my sword for."

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Considerable controversy has arisen about a proposal to differentiate SUNY undergraduate tuitions by the per-student costs of the different sectors — i.e., by university centers, university colleges, and the two-year colleges of technology. Because the per-student instructional costs for undergraduates are higher at the university centers than in either of the other two sectors, such a policy could have undergraduate tuitions rise to a higher level in the four university centers as well as the undergraduate programs of three other doctoral campuses — the Health Science Centers at Syracuse and at Brooklyn and the College of Environmental Science and Forestry — than at the fifteen remaining baccalaureate degree campuses or the six predominantly associate degree colleges of technology. (Only one of the State-operated campuses, the College of Optometry, gives no undergraduate degrees.)

Although nearly all other states have higher tuitions at their public research universities than at their comprehensive colleges, such a policy is proving to be highly controversial in New York. Opposition, however, seems to come from very different sources and to draw on very different arguments. For example:

- Some deny that undergraduate instructional costs are higher at the doctoral campuses or maintain that any demonstration of such differences depends on questionable, or in any event too arbitrary, rules of accounting.

- Others acknowledge that the costs may indeed be higher, but assert that they should not be, and that resources should be taken from the research and service mission throughout the University and transferred to the undergraduate instructional programs at all campuses, particularly the non-doctoral campuses.

- Some of the opposition is simply against the principle of SUNY tuition and especially against any policy that would seem to accept SUNY tuition as appropriate and likely to keep increasing over time.

- Some are against differentiation because they are students at a university center, or have constituents whom they believe are most likely to attend a university center, and they simply do not wish to see tuition higher there than at other campuses.

- Others are against higher tuitions at the university centers because they represent the colleges whose tuitions might be lower, and they fear that these colleges might thus have fewer resources than might be available to the centers.

- Still others are against higher tuition for the doctoral campuses because they fear that students or other constituents will equate "higher price" with "higher quality" and will thus assume that the lower-tuition colleges are not as good as the (somewhat) higher-tuition university centers.

• A final problem with cost-based tuition differentials is the difficulty of drawing the line between those differentials that should be reflected in the tuitions and those that should not. If a generic research university-undergraduate college cost difference is thought to be significant and an appropriate basis for a differential tuition, then how about the difference in per-student costs between a small technical college and a larger college that is more oriented to the liberal arts and clearly less costly . . . or the differences in a given college among major programs? Clearly a line must be drawn somewhere, and almost no one advocates cost-based tuition differentials by course or by academic major. Generic intersector cost differences are a clear and conventional basis for tuition differentials, but we must acknowledge some arbitrariness between those differences and the many other differences in cost that we would prefer not be reflected in tuition.

With such disparate, often deeply felt, albeit sometimes inconsistent and occasionally even contradictory, views against the concept of cost-based tuition differentials, why is such a policy now being advanced, and what are its advantages? I offer five arguments.

❖ The case for differential tuitions begins, very simply, with the need for substantial additional net tuition revenue — which in turn is required by the massive withdrawal of State General Fund support for SUNY over the past four years. SUNY has lost 892 faculty and staff and $49 million in one-time cuts and $143 million (inflation adjusted) in permanent cuts in just the past four years even with an $800, or 59 percent, increase in tuitions. The Executive Budget proposed for 1992-93 begins with a further $143 million withdrawal of State tax resources, of which at least $60 million will have to be taken in the form of campus budget cuts (averaging about 5 percent) even if annual tuitions rise, on average, by another $500-550, or 23-26 percent. In this light — i.e., the need for a systemwide net tuition revenue increase to handle a portion of another very large cut in State

support — a differentiated tuition may be viewed simply as a way to reach another very large, required, and expected net tuition revenue target with the least price resistance and thus the least barrier to student access. It would seem more fair, and also to be more expected by both students and parents, for tuition, like any other price, to reflect in some way the basic cost of the product and thus to be a bit less where there are lower underlying costs and also fewer General Fund dollars, and a bit higher where the costs and State General Fund contributions are also, of necessity, a bit higher.

❖ The basic SUNY policy, even with a permissive cost-based differential, would, as stated in the report of the 1991 Trustee Committee on University Revenue and Tuition Policy, continue ". . . to support the principle embodied in current law barring differential tuitions for like degrees at the State-operated campuses to the extent that differentials are based on choice of academic major, upper- or lower-division status, the financial need of students or the income of their parents, or the relative size or affluence of the applicant pool at individual campuses." Given the many ways tuition can be differentiated, at least in theory, the current proposal for the Trustees to at least be able to differentiate according to generic per-student cost differences is a narrow and limited departure from the current SUNY policy of identical tuitions for New York State resident undergraduates at all State-operated campuses.

❖ It is a fact that per-student undergraduate costs are higher at the doctoral campuses. This is because undergraduates are permitted — indeed, encouraged, and often required — to use libraries that are far more costly, to have access to laboratory equipment and to materials that are likewise more costly, and to have contact, particularly in their major fields, with professors whose time is more costly by the simple fact of the extensive research and scholarly demands that are also placed upon them. By SUNY's cost attribution model, the per-student undergraduate instructional costs in 1991-92 were:

- $9,154 for the doctoral campuses
- $7,134 for the non-doctoral baccalaureate campuses
- $7,447 for the colleges of technology

While it is clearly possible to dispute elements of any cost attribution formula, the overall conclusion — that per-student undergraduate instructional costs are higher at the university centers and other doctoral campuses — is well-demonstrated.

Furthermore, while there are undoubtedly some undergraduates who do not take advantage of the more costly academic experiences possible at the doctoral campuses, these experiences are nevertheless offered, often required, and generally advanced as the very reason why an undergraduate might prefer a doctoral campus over a university college or technical college, in spite of the likelihood that instruction and campus ambiance are likely to be more uniformly nurturing and student-oriented at the two- and four-year campuses.

❖ New York State is one of the few states in the Union *not* to differentiate tuition between the public doctoral campuses and the non-doctoral, or university college, campuses. This may not make such a policy necessarily right for New York State or for SUNY, but there should be some policy comfort in becoming a bit more like all other states.

In fact, it is the undergraduate tuition at the SUNY university centers, at $2,438 (tuition and fees), that is still low compared with public research university tuition and fees in the Middle States ($3,094) or New England ($3,578).

❖ We should resist the notion that high price or high tuition is necessarily a signal of high quality. Campuses that do not want *other* campuses' tuitions to get ahead of theirs for fear of seeming in comparison "cheap" or of "lower quality" are perpetuating a price-quality equation that we ought to reject. Most observers do not doubt that the university centers are more costly. That the university centers are not therefore necessarily

better, particularly for many students, is an argument that the university colleges have been making for years, with considerable success, and can be expected to continue to make.

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In fact, the ability to differentiate tuitions is nowhere near the most important thing that SUNY needs this year from the Legislature. The overwhelmingly most important need is for SUNY to be cut less — even assuming the $60 million additional net tuition revenue called for in the proposed Executive Budget. We also need TAP to be preserved. We need to preserve our flexibility. We need the end of position controls. We need hope that there will be restoration of these deep and hurtful cuts when New York State's economy turns around.

But it would also be advantageous for the University, sooner rather than later, to begin to differentiate the tuitions it charges students at campuses with very different cost structures. Given the enormous financial challenges faced by SUNY in 1992-93, the Trustees need all possible tools to preserve the basic quality and accessibility of the University. The ability to differentiate tuitions is just one of these tools. It would seem appropriate to be given this ability as soon as possible, and preferably by a change in the underlying statute rather than by the one-year appropriations bill override.

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JANUARY 1992

The Case Against Income-Linked Tuitions for SUNY and CUNY

One of the facts of life for New York State's public universities, SUNY and CUNY, is the orientation of so much of the state to private higher education. Some 136 private colleges and universities educate 32 percent of New York State undergraduates and 66 percent of graduate and advanced professional students.

New York State public subsidies to private colleges and universities, mainly through the Tuition Assistance Program and the per-graduate Bundy aid, totaled in 1991-92 an estimated $280 million, with some $207 million for TAP and $73 million for Bundy. From a public policy perspective, such a public expenditure, which doubtless strengthens New York's extensive and excellent private colleges and universities, is a good use of tax funds. It provides New Yorkers with a richer array of college options than can be found in most states, and it allows the taxpayer expenditure on public higher education — SUNY and CUNY combined — to be lower, per capita and as a percent of all state expenditures, than in all but a few states.

For the most part, the two sectors of higher education in recent years have co-existed peacefully. The private sector, however, has built up a considerable resentment against SUNY's and CUNY's low tuitions, particularly from the mid- and late 80s when they were frozen by the Legislature and Governor at a comparatively modest level, while private sector tuitions, of course, had to increase to cover the family's share of underlying cost increases. Even in 1992, as SUNY's undergraduate resident tuition is about to approach $3,000 and to equal or exceed one-third of instructional costs, many New Yorkers, oriented still to private college tuitions, do not know why SUNY or CUNY tuitions should be subsidized at all, except for low-income families who could not afford to pay more. They would reduce the State General Fund contribution to SUNY even more than it has been, making up the difference with very much higher tuitions for those who can supposedly afford to pay, with the low tuitions that have been a hallmark of public colleges and universities throughout the country reserved only for the children of the poor or lower-middle class. The result, of course, would be the elimination of all or most of the price advantage that New York's public colleges have over the

private colleges — and, with this state's continuing private college orientation, would be a great competitive strengthening of the private sector. Such a result would probably, too, mean the end of any public higher education sector of real quality in New York State.

Although such "income linked" tuition is forbidden for SUNY or CUNY by law, which is not likely to be changed, the concept continues to be raised — by private citizens, some legislators, some regents, and a good many leaders of private colleges. Some good friends of public higher education, while knowing the concept to be mischievous, seem to have difficulty saying just why income-linked tuition is bad public policy. It was in light of this perennial challenge to SUNY's and CUNY's low tuition policy that I wrote in January of 1992 the next paper, "Income-Linked Tuitions for SUNY and CUNY."

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From time to time, in New York State as elsewhere, a proposal is made that tuitions in the public colleges and universities be linked directly and automatically to the income of the student's family, with very low or no tuition at all for the children of the poor (as now, with TAP picking up all or nearly all the posted SUNY or CUNY tuition for children from families with net taxable income less than $8,000) and with tuition rising as incomes rise, so that affluent families would pay either full cost (in the neighborhood of $8,000 - $10,000) or at least much, much higher tuitions than at present.

Two general arguments are given in support of "means-tested" or "income-linked" public tuitions. First, it is asserted by some that virtually any public expenditure to subsidize a good or service that an individual would have paid for, or paid more for, in the absence of the subsidy is an inefficient use of those public dollars. Thus, if some families would pay $4,000 or $6,000 or more for their children's public higher education if they had to, they are making a statement about its private value to them, and to charge any lesser tuition is, in effect, to give this particular family a "break" at the expense of the general taxpayer. The public dollars that are being spent to offer the

tuition at less than full cost (or, at any rate, at less than the much higher tuition that might otherwise be charged) should go instead to higher grants or scholarships for those who could not or would not go to college at the regular tuition — or perhaps to some other higher priority public expenditure, or else to a tax cut to the people.

The second argument (perhaps a refinement of the first) is that full or near full cost tuition in the public sector will eliminate any "price" basis for students or families to choose SUNY or CUNY over a private college. SUNY, CUNY, and New York's private colleges and universities would thus compete for students "equally," with the New York State taxpayer contributing only, or at least mainly, to maintain a subsidized tuition for low- and middle-income families to either sector. The net effect, say its proponents, would be a much healthier New York State private college sector, (possibly) lower taxes, more generous need-based grants, and a SUNY and CUNY that would probably be considerably smaller, but more aggressively competitive.

Objections to the proposal for means-tested, or income-linked, tuition are many and familiar. Seven are cited below.

❖ On principle, the expenditure of public (i.e., taxpayer-borne) funds on public higher education is a legitimate, traditional, and quite defendable use of public dollars, encouraging more higher education than would be partaken of in the absence of the public expenditure and supporting high-quality institutions that are unequivocally accountable to the public. The fact that some students or some families of students would pay more if they had to does not, in itself, signal a significant inefficiency, particularly when there is a clear public benefit to the enterprise of higher education, and when many students (most, at some institutions) are probably already paying all that they can or will.

❖ As a further matter of principle, the natural tendency of incomes to vary greatly, with consequent great disparities of

income and wealth, should be resisted or compensated for directly (if the political powers care to) with progressive taxes and true competition, rather than indirectly, by manipulating the prices or fees for public goods and services. If it makes sense for there to be public colleges and universities — which it apparently does, in New York State as well as in all other states and, indeed, in all other nations — then a subsidized tuition/price should be set that shares the cost in some appropriate way with the user. If this price is still too high for the poor to afford, then further subsidies should be given — as they are in New York State via the Tuition Assistance Program. But the basic underlying tax support of the public university should not be a constant target for those who would further indirectly tax the wealthy or indirectly enhance the progressivity of its public finances.

❖ As an even further matter of principle, public higher education should be high quality, commensurate with most private higher education, and should attract students with a broad range of measured academic abilities and from a broad range of the socioeconomic spectrum. It is difficult to avoid the conclusion that those who would price public higher education according to family income have as one intended consequence the transfer of many upper-middle income students from public universities and colleges, which would no longer be advantageously priced, to the supposedly "better" private colleges, and a public sector that is primarily for the poor and only for the middle and upper middle class students whom the private sector does not wish to educate.

❖ As a matter of fact, the SUNY universities and university colleges are already, or will be by 1992-93, priced to recover a full one-third of the real undergraduate costs. With room, board, tuition, and other expenses pressing $9,000, SUNY does not seem excessively cheap, even for the relatively affluent. The fact that its tuition is still far below the tuitions of the most expensive private colleges is in part, to be sure, a reflection of

the much greater tax support to the public sector. But it is also a reflection of the far higher real underlying costs in the private sector — which costs, in turn, reflect the very low student-faculty ratios and other enriching amenities of the high cost/high tuition private colleges and universities.

❖ As a matter of political reality, the middle and upper-middle class wish to feel that they and their children get something for the very considerable taxes they already pay and will continue to pay, regardless of how public higher education is financed and priced. Access to SUNY at an affordable tuition is one thing that the middle and upper-middle class can look forward to for the good of their children and their own pocketbooks.

❖ As a further matter of fact, SUNY and CUNY tuitions, with the complementary New York State Tuition Assistance Program, are already substantially linked to family income. Tuition is paid entirely for students from parents with net taxable incomes below $8,000 (adjusted gross income of approximately $19,500). Net tuition then rises, "income linked," until it reaches its 1991-92 undergraduate New York State resident maximum of $2,150 at a net taxable income of about $50,500 (adjusted gross income of as much as $65,000) at which point TAP has been phased out. SUNY tuition then ceases to be linked to family income, although access to federal need-based student aid continues to be linked to family income until an adjusted gross income, with another child in college, in the vicinity of $88,000.

❖ Finally, the current link between family income and tuition, whether in the public or private sectors, is through the "tuition discounting" effect of means-tested student aid, which is a complex set of grants and other subsidies, some of which are provided at the discretion of the college financial aid officer. A SUNY tuition linked clearly and directly to family income would eliminate this discretion and link all aid to a single, frequently complex and volatile, annual family income. But would it be this year's estimated income, or last year's actual . . . and what

if they differ sharply? Would it be New York State net taxable income, federal adjusted gross income, or some other measure of ability to pay? Do assets matter — or does an extremely wealthy family with a more modest current taxable income get the benefits of a low public tuition while the family with little net worth but a relatively high current income does not? Are there to be allowances for other children, for children in college, or for other extraordinary expenses? Whose income are we counting: the parents', we must suppose, but until what age of the student? How about parents who refuse to pay, or students who claim to be, and by all reasonable criteria are, financially independent? Or, how about parents who are separated or divorced, or divorced but still living together...etc., etc. The point is not that these questions are insurmountable. The financial aid profession and federal and state loans have created complex but by-and-large workable policies and instruments to measure financial need with sensitivity and judgment and to distribute grants and subsidized loans accordingly. But there is no way to take into consideration these very real complications and still to publish a simple schedule of "tuitions-by-income" that replicates the entire set of tools of the financial aid profession.

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In short, it makes good sense to expect all students to contribute to the costs of their college educations, by work and savings and some borrowing. It makes sense to expect parents to contribute, even in the public sector, provided they have the means. We already do this in the U.S. and in New York State, and we require more from the parents and students than any other nation in the world.

It does *not* make good economic sense, nor good political sense, nor reasonable technical sense to attempt to push the parental contribution to its outer limit by linking tuition directly to income and by raising greatly the public tuitions paid by the

middle and upper-middle classes. We should solve the underlying financial problems of higher education and the state in other ways.

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NOVEMBER 1991

Budget Options for SUNY in the Face of Additional Major Cuts in General Fund Appropriations

The "Budget Options" paper was written and distributed in the late fall of 1991, just after it became clear that SUNY (and other State agencies) were going to face yet another mid-year budget cut, the sixth cut in less than four years, and that the 1992-93 fiscal year and beyond was projecting further massive deficits and more deep cuts.

Frustration and anger mounted. Some faculty and campus leaders, some legislators, and some interested citizens began to declare that SUNY had to stop absorbing such costs systemwide and respond instead by closing a campus or two or three. Others insisted that there were no campuses that were unneeded or financially unviable, and none that were politically closeable anyway, and that the State University, if unable to expect any recovery of support from the deep cuts of the late 80s and early 90s, simply had to become a smaller university overall, retrenching staff and programs, and downsizing all campuses, while reducing enrollments accordingly.

The SUNY strategy, on the other hand, had been to resist permanent downsizing, either across-the-board or selectively, and to handle the costs as well as possible, "holding on," as it were, either for better economic times and a better state budget generally, or for SUNY to be accorded a higher priority among all of the claimants on the state's tax revenues.

The "holding on" strategy had begun to be criticized as though it were unrealistic, unthoughtful, or merely the "easy way out." Because I believed our strategy to be, in fact, both correct and quite thoughtful, at least up until now, even if it was neither radical nor particularly imaginative, I wanted an exercise that would show how few our options actually were and what needed to be assumed in order for one of the more radical options to seem preferable.

I also wanted a paper that would reveal the single overriding issue: the degree of likelihood of a restoration of all or some of the recent deep cuts in the SUNY budget. With restoration likely or even very possible, the "holding on" strategy continued to make sense. If restoration was very unlikely, then one of the permanent downsizing options was probably the better course — unless a truly massive increase in tuitions proved able to replace the accumulated years of lost tax support.

In a sense, the Budget Options paper was an invitation to "play chancellor" and see if there was an option that was not undesirable. It was shared with all of the campuses, debated in local campus faculty senates and student organizations, and given widespread circulation within the Legislature and Executive Branch. Many tried to pick the option or combination of options that was least undesirable. They learned what it was like to be a chancellor.

A few rejected all options and called the paper a kind of "dirty trick," providing no good solutions to the University's dilemma. I suppose they were right, too.

Introduction: Cuts and More Cuts

As of late November 1991, New York State government is again facing a fiscal crisis, the estimated magnitude of which may be as high as a $700 million General Fund budget gap in the State fiscal year ending March 31, 1992, and a gap that may be as high as $3.6 billion for the next fiscal year. The Division of Budget, earlier in the month (when the gap was thought to be much less), requested that SUNY begin contingency plans for permanent reductions in General Fund support of 2 percent, 3 percent, or 4 percent. At this time, the nature of a deficit closing plan that the Executive and Legislature can agree upon, and the impact of such a plan on this, or on an extended, fiscal year for SUNY are uncertain. However, since this year is dreadfully tight already, and since the 1992-93 fiscal year needs $19 million more for the State-operated campuses, even with no new salary increases, and $15 million more for the community colleges just to break even, most of the likely scenarios appear at this time to be devastating, with huge losses in dollars, positions, programs, morale, and perhaps both quality and access.

This would be the sixth budget cut in the past four years. Since the start of the 1988-89 fiscal year, the SUNY State-operated and funded campuses have absorbed nearly $49 million in one-time cuts and $143 million (inflation adjusted) in permanent cuts, after the addition of more than $100 million in tuition

revenue increases. Since 1975-76, authorized positions have been cut by 4,851, or 17 percent; permanent budget cuts net of all additions have totalled $394 million (1991-92 dollars); and one-time funding reductions, also net and expressed in 1991-92 dollars, have totalled $83 million.

During the sixteen-year period, position reductions have been accomplished largely through attrition, with cuts falling particularly heavily on janitors, cleaners, and clerical workers. There have also been faculty and professional staff retrenchments affecting academic programs and eliminating nine campus laboratory schools and several State-funded public service and research programs. Other position reductions have included vehicle maintenance and maintenance shop workers, nurses and health care workers in campus infirmaries, library technical staff, and clerical and support staff in administrative offices and academic departments. Central Administration cuts have been especially heavy in the past four years, with the loss of five vice chancellors, 43 total staff (a nearly 16 percent reduction), and an inflation adjusted budget cut of some $3.2 million, or 19.5 percent. Some of the staff cuts have been partly offset by gains in productivity through technology and management improvements, but in many cases programs and services are simply either no longer being provided, or are being provided at lower quality (e.g., as with larger classes, or the substitution of lower paid part-time teachers for regular professors, or longer waiting periods for counselling, advising, or tutoring).

The Likelihood of Future Restorations

The appropriate response to whatever share the University will ultimately have to bear of this current further State fiscal deterioration depends in large measure on permanence, or irreversibility, of these and other recent losses in core General Fund tax support. If substantial recovery is likely, or at least "not unlikely," in the relatively near future, then the appropriate response might well be to hold onto the current course — i.e.,

to take the budget cuts in ways that minimize long-term consequences, maintaining most programs and most enrollments, minimizing retrenchments, and "holding on" for better days to return.

However, if a significant restoration of State General Fund tax support is unlikely, and the current and apparently worsening downsizing not likely in the foreseeable future to be reversed by tax revenues, then some very different options present themselves. Specifically, either a very much higher tuition must be imposed as an alternative revenue source, or the cuts that have been taken must be considered as virtually permanent, and a new — and significantly smaller — State University conceptualized.

For SUNY's General Fund support to recover significantly would require three conditions: (1) a recovery of the economy; (2) a recovery of the State's General Fund — which must assume a resistance to further tax cuts, and perhaps even some tax increases; and (3) a much higher priority extended to SUNY for the use of these additional revenues — i.e., a place toward the head of the queue for additional State tax dollars — in competition with such other public needs as health care, welfare, public infrastructure, economic development, housing, and elementary and secondary education. Increasing doubt that these three factors will, in fact, come together to replenish SUNY's deeply cut tax support is contributing to a more serious consideration of options other than "holding the line."

The Options

It is in this context that we must consider very seriously some difficult options. For purposes of discussion, it may be useful to consider the following five. In all likelihood, a combination of elements from several options could constitute a sixth option. For each option, some pros, cons, and necessary conditions and assumptions are suggested.

Those in SUNY's extended family of Trustees, presidents, faculty, staff, and student leaders, council members, and others, as well as leaders in the State's Executive and Legislative branches need to be part of the discussion both of the likelihood (or improbability) of a restoration of General Fund support and of the option or options that would best protect the State University and its mission to the State of New York if restoration is no longer considered a responsible planning assumption.

❖ *Option #1: Hold the Course — downsize all campuses, presumably only temporarily, maintaining as much enrollment and current program configuration as is possible.*

This is the current stance of the State University, as reflected most recently in the SUNY 2000 planning document and in the official 1992-93 budget request. This option continues to assume that better economic times will come to New York State and that increased tax revenues, next year or soon thereafter, will recover some significant portion of recent cuts, as well as keep up with subsequent cost increases (i.e., wage and salary and general inflationary increases plus increases in enrollments).

The SUNY position under Option #1 would continue to be that: (a) the University should grow slightly, not contract; (b) there are no superfluous campuses or major unnecessary or uneconomical programs or schools to close; and (c) New York State's General Fund commitment to public higher education is too low, by absolute and comparative measures, and both should and can increase, at least as a percentage of State tax revenues, as soon as there is some general State economic recovery.

The anticipated next round of cuts would be spread to all campuses much as has been done for the past decade and one-half. The campuses would be asked to maintain as much enrollment as possible. Campuses would cut by attrition and layoff, with some programs eliminated or significantly down-

sized, and by continuing to curtail maintenance, new equipment, travel, library acquisitions, etc. The effect would be increased class sizes, increased advising and counseling loads, and reductions in student services, administration, public affairs, public service programs, and new programs of all kinds.

The advantages of "hold-the-course" are:

- The long-term case for SUNY's needs would be maintained, not abandoned.
- Enrollments would be generally maintained.
- Job loss by layoff or retrenchment would be less severe than with Options #2, 3, and 4, below, (although could still be extensive).
- This is the option most likely favored by many elected State officials, who do not wish to acknowledge, or genuinely do not believe, that New York State cannot maintain its State University.

The disadvantages of "hold-the-course" are:

- All units of SUNY would be weakened. Constant cuts by attrition cripple programs and departments indiscriminately. No resources would be made available for reinvestment or for protecting the highest priority programs.
- If the economy never recovers, or if SUNY is not to benefit even with some recovery, then the day of reckoning, and the ultimate pain, will just be postponed, and perhaps be made worse.
- The pressure to cut enrollments will become fierce. Enrollments may fall of their own accord due to the unavailability of key sections and courses.
- One or two of SUNY's smaller campuses might become unviable with much more cutback while attempting to "hold-the-line."

❖ *Option #2: Downsize permanently both the faculty and staff and the enrollments of the State-operated and funded campuses.*

This option would spread the cuts through many or most of the State-operated and funded campuses, but match with commensurate cuts in enrollments so that class size, section availability, access to student services, and the like are generally maintained. The cuts would be considered permanent, and enrollments, faculty, staff, space, and programs would all be reduced to yield a State University with 29 State-operated campuses still, but all of them smaller than today. The faculty and staff cuts and the program eliminations would probably be even sharper than in Option #1, above, because maintenance, OTPS (other than personal service), library expenditures, and equipment purchases would be more protected. But the commensurate cut in enrollments would, over time at least, protect quality.

The advantages to downsizing both faculty/staff and enrollments are:

- Quality — at least as represented by such indices as class sizes, faculty/student ratios, and the like — could be maintained, at least relative to Option #1.
- Those who believe that the State University baccalaureate campuses currently admit too many students would be pleased, as would those who believe it to be essential to preserve enrollments in New York State's private colleges and universities.
- The political bitterness and divisiveness associated with campus closures would be avoided.

The disadvantages of overall downsizing are:

- SUNY will seem to have abandoned its claim for a University funded on a par with other state universities and meeting the needs of the State as articulated in *SUNY 2000: A Vision for the New Century*.

- Access would be reduced, at least to the State-operated campuses. Students turned away would presumably turn to community colleges, to the independent sector, to out-of-state colleges, or to the work force; it is not clear how much demand these alternatives could absorb.

- SUNY community colleges, themselves hard pressed, would become more crowded; the full opportunity principle even might be jeopardized.

- SUNY State-operated colleges, squeezed between large numbers of academically qualified first-time students and lower overall enrollment caps would no longer be able to guarantee transfer opportunities to community college A.A. and A.S. graduates.

- It is not clear that a SUNY enrolling substantially fewer students would not get cut even more.

- At some point, reduction in scale totally changes the nature and fundamental mission of a small campus.

❖ *Option #3: Downsize permanently by closing a campus or two or three.*

This option, like Option #2, assumes a permanently smaller State University, with no restoration of tax support. But Option #3 would protect the rest of the University by taking at least some of the cuts through the closure of a State-operated or funded campus or two or three (including the possibility of closing a major school of a large campus). This strategy assumes that the Governor and Legislature will not only concur with the radical "campus closure" option, but will allow SUNY to keep the saved funds in order to protect the quality of the rest of the University; it also assumes that there will be time to make such savings in light of probable enormous legal and logistical challenges that would accompany a campus closure.

The advantages of radical restructuring are:

- Quality and even enrollments might be better able to be maintained at the rest of the State-operated and funded campuses.

- Some persons view "radical restructuring" as good management in a time of great financial stress and expect it to have to take place in SUNY. The absence of a radical move — as in Option #1 hold-the-line, or Option #2 across-the-board downsizing — may seem to some to be weak and unimaginative, quite apart from the actual or relative real merits of any particular "radical" action.

The disadvantages of radical restructuring are:

- Closing otherwise popular and viable campuses just so that other campuses might be better off will be politically and logistically difficult, if possible at all. In fact, it is difficult even to discuss campus closure as an option without doing damage to a campus that might or might not be a real candidate.

- The financial benefits of a campus or a school closure, while potentially considerable, take some years to realize, making such an option of no use at all to solve an immediate cash problem, and worthwhile only with a large and virtually permanent budget cut.

- Since no campus is currently superfluous or without distinctive merits, there would be substantial academic and other losses to the State in the closure of a campus, the nature and extent of which would depend on the particular campus or campuses.

- The closure of a campus brings cost to its surrounding region even greater than the costs to the immediate employees who lose jobs. Some towns would be irreparably devastated by the loss of their SUNY campus.

❖ *Option #4: Downsize permanently the faculty and staff of the State-operated and funded campuses, but maintain enrollments through significantly larger teaching loads and less faculty/student interaction, fewer administrative services for either faculty or students, less maintenance, significantly diminished expectations of scholarly activity from the faculty, etc.*

SUNY could downsize its State-operated and funded campuses, as in Option #2, but retain their enrollments on a more-or-less permanent basis by simply accepting the loss of quality as a trade-off for the maintenance of access. This option must be viewed alongside the fact that SUNY faculty teaching loads are already at or slightly higher than national norms for similar sectors and are considerably higher than comparable private college norms, and overall per-student costs in SUNY, even with what used to be higher than average wages and salaries, are generally at or slightly below those of comparable public universities and colleges.

The advantages to downsizing faculty and staff while maintaining enrollments are:

- If quality could be preserved, this option would maintain enrollments and accessibility.

- This option corresponds to some people's views, however mistaken they may be, that faculty and University staff do not work as hard, or under as onerous conditions, as other persons of similar educational and intellectual background.

The disadvantages to cutting faculty and staff and maintaining current enrollments are:

- Quality would suffer as faculty and staff had even less time per student. Student learning, student retention, scholarship, and service to the State would all be jeopardized.

- SUNY would cease being competitive in the attraction and retention of top faculty, students, and research grants; SUNY's

reputational rankings, at both the colleges and the University Centers, would cease rising, as they have been, and almost certainly begin to decline.

- This option would have to be won at the bargaining table — difficult at a time when there does not seem to be any dollars.

❖ *Option #5: Make up for lost General Fund support with much higher tuitions for those who can afford to pay.*

A fifth option is to continue to shift costs away from the New York State taxpayer onto the parent and student in the form of very high tuitions — compensated in part by more TAP aid to needy students and families. Tuitions might also be differentiated by campus or sector, with the community colleges and the two-year State-operated campuses retaining lower tuitions, and other campuses raising tuitions to, say, from one-third to one-half instructional costs.

The advantages to a major, permanent shift of support from taxpayer to the student and the parent, via very high tuitions, are:

- If the General Fund is never to be restored, the very high tuition option may be the only way to maintain both enrollments and quality, at least as we presently know it.

- New York State's private institutions would be made very happy.

The disadvantages to high tuition are:

- It may be politically impossible; CUNY, in particular, might be unable to follow such an option regardless of its need for revenue or the danger of the other options.

- Access would almost certainly be diminished with very high tuitions (i.e., $3,000-4,000), even with a well-funded TAP.

• At some point of high tuitions, a state university ceases to be "public" at all, as does any one-time public good that the State has decided to privatize and price at cost.

• It is not certain how students would sort themselves out among the existing private and a very high tuition (but high aid) public sector. SUNY might become accessible only to the fairly well-to-do and those low-income students for whom SUNY is still effectively free via TAP . . . or SUNY could become increasingly elitist.

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Of course, elements from several options might be combined. But it would be a mistake to presume that combining elements can reap only advantages and avoid the disadvantages. All of the options are undesirable for the simple fact that we are beginning with a University that is demonstrably underfunded, at least by all historical and peer comparisons, and is also suffering considerable demoralization from the many years of cuts, and then assuming still more cuts of still unknown, but potentially devastating, size.

But some options (or combinations) are going to be preferable, at least with hindsight, and at least according to certain values and priorities. What we must not allow to happen is a paralysis that locks us into, for example, a "hold-the-line" strategy merely because we were too indecisive or unimaginative to craft a better course; nor must we allow ourselves to get swept up in a rush to "bite the bullet" or otherwise to demonstrate our management metal when drastic actions are unwarranted and when restoration of tax support is possible if we only hold onto our convictions and our votes.

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DECEMBER 1991

Exploration of Campus Closures in Response to Further Deep and Seemingly Permanent Cuts in State Tax Support

In response to the "Budget Options" paper, distributed to the Trustees and others in November 1991 and discussed at a December meeting, the Trustees formed a Fiscal Options Committee to examine more closely the options before the University, including radical ones such as campus closures.

Although I believed that the closure of a campus was indeed becoming an option at least seriously to be considered, I was also worried lest this option begin to look too attractive — too much like the "bold step" that many seemed to be just waiting for us to take and that, once taken, would prove our managerial mettle.

In fact, one of the pervasive but also pernicious myths about the State University of New York is that it exploded in growth, recklessly and excessively, during the Rockefeller years of the 1960s and 70s, and that it "clearly" was now overgrown and in need of trimming. But in fact, while the State University of New York grew rapidly during those years, so did the public university systems of all states — a consequence of culture, economics, and demographics. The postwar baby boom was getting out of high school just at the time that higher education was becoming more important for economic and social mobility, just when the nation was becoming committed to equal opportunity, and at a time of general prosperity when it seemed as though the states could afford to meet the projected rising demand for public higher education.

Thus all states built up their public universities and comprehensive colleges and invested in that relatively new institution that was beginning to be called the "community college." Although New York had much farther to go in building up its public research universities, since it was the only state in the Union not to have had one prior to the 1950s, its expansion of the rest of the system was about in accord with the expansion of other state systems during the period — or even a little slower, as New York had a large private higher education sector that also intended to grow with the expanding demand for higher education during the 1960s and '70s.

Most of SUNY's growth, except for the community colleges, was in existing institutions, some of which (e.g., Albany, Buffalo State, Oswego, Plattsburgh,

Potsdam) were old and well-established teachers' colleges, others of which (the University at Buffalo and the health science centers at Brooklyn and Syracuse) were former private institutions. Binghamton had already had a start, as had the campus that was to become Stony Brook, although both of these university centers were begun essentially new. The colleges at Purchase and Old Westbury and the Institute of Technology at Utica/Rome were started anew, each to serve a distinct purpose not really served by any other campus. The College of Optometry was begun shortly after a private school of Columbia University was closed; but the Trustees resisted starting other new health-related schools in spite of considerable political pressure to do so.

In short, the notion of a great surge of new, duplicative SUNY campuses was simply never true. And the idea, then, that there are campuses that should be closed, and that would be were the Chancellor and Trustees only to acquire sufficient backbone, was an idea that I wanted to counter.

At the same time, the financial crisis of 1991-92 was looming so disastrously, and the future indeed looked so bleak, that I still did not want the possibility of a campus closure to be ruled out altogether.

These aims, then, were the genesis of the next paper, prepared as a discussion document for the first meeting of the Trustees' new Fiscal Options Committee. It was first written as a "Part I," with a Part II planned to actually "name names" and let the Trustees themselves, through real examples, realize the great complexity and difficulty of the campus closure option. At the last minute, though, I pulled the Part II and confined the discussion to the safer, but nearly as effective, abstractions.

As of the spring of 1992, it has still not been necessary to turn to Part II and publicly discuss actual campus closure options. While the closure option must remain a very real possibility and a real threat, the mere raising of a specific campus possibility can do that campus such damage that I continue to hope that a more abstract, albeit very real, threat plus some enlightened budget relief will enable us to confine public discussion of campus closures to all of the reasons why SUNY should not have to close one.

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Introduction: SUNY Policy Toward Campus Closures

For years — ever since the deep budget cuts of the late 1970s and early '80s, and the further deep cuts of the late '80s and early '90s — observers of the State University of New York,

both informed and uninformed, and both friend and less-than-friend, have suggested that SUNY close a campus or two or three, or otherwise "restructure" in some radical way that they assume would save a lot of money in just one or two or three places, in lieu of across-the-board or other widespread cuts falling upon all campuses.

The Chancellor and other SUNY Central Administration officers, supported fully by the SUNY Trustees, have steadfastly resisted these pressures to close campuses or otherwise to "radically restructure" the State University. The rationale behind this stance was not a simple reluctance to "bite the bullet" or to apply tough and creative management actions to the University's finances, even when the State contribution began to deteriorate dramatically during the late '80s and early '90s. The rationale against campus closures or other "radical restructuring" was based, rather, on the following facts and principles.

❖ *New York State is demonstrably underinvesting in public higher education.*

A substantial part of the pressure to close a campus or otherwise to radically downsize the State University has always been the view, strangely widespread in New York State even though clearly and profoundly wrong, that New York State somehow overbuilt, or overinvested in, its State University, and that a downsizing, perhaps in the form of a campus closure or two or three, would bring the University down to what those proponents believe to be its "proper" size. However, New York State's commitment to public higher education is actually among the lowest of all states: 46th in per capita support of public higher education; 47th in the percent of tax revenues devoted to public higher education. Public higher education, in fact, is the only major State expenditure on which New York spends substantially less, given its population, than almost all other states. This minimal investment, alongside the overcrowding in most of the SUNY campuses and the number of

students already being turned away or, if admitted, unable to find an available section, all point to the need for a larger, not a smaller, State University as we approach the year 2000.

❖ *SUNY has not cut across-the-board, either among the 29 State-operated campuses or among the various departments and programs within each of the campuses. Budgets and budget cuts have been spread purposefully, with widely varying impacts, even though no campuses have been closed.*

Another part of the argument for campus closure is the mistaken notion that the massive cuts in SUNY over the past decade and one-half have been across-the-board, with neither purpose nor priority nor tough decisions. Once again, the perception is at almost total variance with the facts. The 4,018 net positions cut from SUNY since the mid-1970s, for example, were managed in a clear reflection of Trustee, Legislative, and Executive priorities favoring the doctoral campuses and those campuses with major programs in science and technology. Thus, while the overall position loss throughout the 29 SUNY State-operated campuses from 1975-76 to 1991-92 was 10.5 percent, the university centers over this time lost only about 7 percent and the university colleges without major engineering or technology programs lost more than 17 percent.

Deep and selective cuts have also been made by the Chancellor and the Trustees, for example: the elimination last year of SUNY's last complete campus school at Buffalo College (32 lines and $1,123,000); the great downsizing and restructuring of the Youth Theatre (a cut, when completed, of some 45 positions and $1,481,000); and the deep cuts in the Central Administration and the central staff and expenditures of the SUNY Research Foundation (a 16 percent reduction in staff and a nearly 20 percent cut in expenditures by the Central Administration, and a 17 percent reduction — to be more than 38 percent by 1993 — in the SUNY Plaza Research Foundation operations).

The three SUNY teaching hospitals have gone from a direct appropriation in 1989-90 of $54 million to a direct appropriation in 1991-92 of zero.

Within the campuses, the reallocation of resources and the driving demonstration of academic priorities have been even more striking. While some 584 academic positions show as "lost" to the system from the mid-1970s through the mid-1980s, the actual number of positions that was turned over by attrition, and even by a few retrenchments, was closer to 1,100 so that some 500 new academic positions could be added to handle departments and programs that needed to grow in spite of the overall cuts. Entire new academic fields — information systems management, business, communications, and dozens of others — were built on reallocated lines during a period of real State disinvestment in the State University.

Such facts do not speak directly to the question of whether any particular campus should be maintained or closed. But they forcefully belie the mistaken notion that the system has dealt with hard times in an unthinking across-the-board manner, or that a campus closure or two is needed to prove to someone that the presidents or the Trustees or the Chancellor know how to set priorities.

❖ *No campus in SUNY is unviably small or underenrolled, or too expensive for its mission, or of anything other than high reputational quality. In short, no campus, on its own merits, deserves to be closed.*

Closing any campus is painful, for any reason. But there are reasons to close one: for example, when its enrollments are plummeting and show no sign of recovery or when the cost per student or per graduate is far above comparative acceptable costs, signaling either bad management or a size that has become unviably small.

But no SUNY campus is today experiencing such free-fall enrollment declines. None is unviably small — in comparison

to their peers or to acceptable standards of economies of scale in higher education. None is unusually expensive in per-student costs when compared to their peers. None is other than high quality, measured by reputation or student performance in the marketplace; indeed, some of SUNY's smallest and most specialized campuses (Purchase, Old Westbury, Ceramics, Maritime, Environmental Science and Forestry, Optometry, Delhi) are among the very best of their kind in the nation. In short, none of the substantive reasons for closing a campus suggests the closure of any SUNY State-operated or statutory campus.

❖ *The savings from a campus closure occur only several years after the initiation of the closure. Furthermore, hidden costs, some of them long term, may further erode anticipated savings.*

Announcement of intention to close a campus is only the start, however irrevocable, of the process. Students in the pipeline must be accommodated, for as long as three or more years. Faculty and staff must be let go in an orderly process. Certain functions must be maintained, and expenses incurred, until the last gasp — long after the programs have ceased to function. Debt service will continue to be owed on the buildings. Minimal heat, security, and maintenance will need to be maintained, even if a campus is abandoned. In short, if the rationale for closing a campus is financial, it must be for a long-term financial gain, never merely to meet an immediate budget crisis, no matter how severe, and that financial gain must be realistically assessed, taking all costs and all revenue losses into account.

❖ *A campus closure can incur significant — sometimes enormous — costs in lost or wasted capital assets.*

SUNY's campuses are precious and expensive assets, as well as institutions that incur current costs. Closing a campus will, eventually, eliminate most current expenses. But it may also destroy or degrade State assets — buildings and laboratories and dormitories and roads and infrastructure — that took tens

or even hundreds of millions of tax dollars to build, and in many cases are, even yet, not fully paid for.

❖ *A campus closure can bring severe and long-range costs to its surrounding region.*

Many SUNY campuses are in small towns that draw their economic vigor from the faculty and staff who reside locally, from retail spending by students and by the campus itself, and from the economic stimulus from construction and rehabilitation. The closure of some campuses would not only do great damage to their communities, but could impose new costs on the New York State taxpayer through higher unemployment and welfare, new needs for economic development spending, and lost tax revenues from the affected individuals and businesses — above and beyond the human costs and the other essentially immeasurable expenses that can accompany the loss of a region's major enterprise.

❖ *There is no absolute guarantee that the savings from the closure of a campus will accrue in the long run to other SUNY campuses.*

Insofar as the rationale for closing a campus is to bring financial relief to the rest of the University, it must be presumed that the savings, when they finally occur, will remain with SUNY for distribution to other campuses. However, given the magnitude of the State's current financial (the very magnitude that is giving rise to the renewed pressure from some quarters to close a campus or two) and the absence in recent years of a clear high fiscal priority in New York State for public higher education, it is by no means certain that the savings from campus closure would be retained in SUNY.

The Case for Radical Restructuring and Campus Closure(s)

The case for some action as radical as a campus closure rests on the magnitude of past and current budget cuts to the entire

system and to the very great damage they are doing, as well as on the grim financial prognostications for the nation and for the State of New York, and on the uncertain likelihood that State government will in the near future accord sufficient priority to the State University to assure a genuine recovery of SUNY.

Since 1975-76, authorized positions have been cut by 4,018, or nearly 14 percent, excluding reclassification and other merely cosmetic reductions; permanent budget cuts net of all additions have totalled $394 million (1991-92 dollars); and one-time funding reductions, also net and expressed in 1991-92 dollars, have totalled $83 million. Since the start of the 1988-89 fiscal year, the SUNY State-operated and funded campuses have absorbed nearly $49 million in one-time cuts and $143 million (inflation adjusted) in permanent cuts, after the addition of more than $100 million in tuition revenue increases.

The current (December 1991) budget crisis is of still uncertain magnitude, but the initial deficit reduction plan for 1991-92 called for a cut of $28.7 million for the three months remaining in the State's fiscal year, and the Division of Budget has acknowledged a "working cut number" for the period from January 1, 1992 through March 31, 1993 of nearly $150 million, or a 15 percent cut in the State's General Fund support.

It is this devastating financial picture that is demanding a serious look at radical options, including campus closures, as a way of bringing some relief to the rest of the State University, even while asking enormous additional sacrifices of those campuses that might be closed or truly radically downsized.

Criteria for Campus Closure as a Response to State and State University Long-Range Financial Crisis

It has been stated that the only really substantive criteria for a campus closure — that is, criteria that would suggest closure regardless of surrounding fiscal or political circumstances — are irredeemable loss of quality, loss of financial viability, or loss of

perceived value of the particular college or of its academic programs either to potential students or to the State. It has further been stated that none of these criteria exists for SUNY campuses.

However the magnitude of the current fiscal crisis of New York State and the modest priority that public higher education has historically commanded in New York State suggests, at some point, the need to consider campus closures simply as a way to relieve the financial burden on the entire system and to prevent all of the system's campuses from continuing financial deterioration. In such an eventuality — that is, the case for campus closure as a response to New York State and SUNY long-range financial crisis — the criteria for closing a campus should be the following:

❖ *Total savings available for reallocation elsewhere in the system.*

The long run beneficial impact of a closure to the rest of SUNY, and thus to the State of New York, has to be sufficient to justify the educational and political disruptions that will accompany the mere proposal for a closure of any particular campus.

❖ *Cost per student.*

A candidate for campus closure should have a sufficiently high per-student cost to give promise of net savings to the system even if some of the students end up being shifted elsewhere — presumably at a substantially lower marginal cost per student.

❖ *Special value to the State of New York of the academic programs to be lost.*

The programs of the campus to be considered for closure should be ones that are either of less special value to the State, or ones that can be picked up by other campuses, either within SUNY or elsewhere in the State.

❖ *Potential use of campus physical plant and other assets.*

A reasonable candidate for closure should be a campus the assets of which have alternative potential use, either public or private, and that can thus return some value to the State rather than merely present continuing costs of maintenance and security.

❖ *Impact on surrounding region.*

A candidate for campus closure should be one that will not lead to such regional economic damage that the costs of economic recovery and regional amelioration will approach the savings from the closure.

❖ *Political viability of closure.*

A campus closure must ultimately have the concurrence of both the Executive and the Legislature. If there are any special reasons why a closure should not, in the end, be supported politically, the initiation of closure planning should probably not even begin for fear of leaving a campus that would be "saved," yet terribly damaged in its ability to attract first-rate students and faculty by the avowed consideration of its possible closure.

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MAY 1992

Conclusion

As this collection of essays is being prepared for dissemination to those who share an interest in the current fiscal turbulence of American public higher education, the New York State fiscal 1992-93 Budget has been passed and my colleagues and I are assessing the damage and the prospects for the future. The Legislature and the Governor removed about $143 million in General Fund revenues, reducing the tax base support of the University by a little more than 15 percent. With another hefty hike in tuition — to $2,650 for resident undergraduates, or about one-third of the cost of instruction — plus other increases in fees, hospital revenues and just a little other fiscal legerdemain, the actual cuts to the State-operated campuses can be kept, on this round, to about 4.5 percent. The University has been cut by about 10 percent in the past three years.

Some of the campuses will handle all of this latest cut with the vacancies that they have stockpiled through another year of non-replacement and non-renewal of faculty and staff who have left or whose contracts have expired. Others will have to lay off staff or retrench faculty — extending, in some cases, to tenured faculty who just happen to be the least senior in a unit that is being cut back or abolished altogether.

Teaching will be more limited. Administrative services will be slower or not able to be continued at all. Enrollments will be frozen, as a prelude to the advent of outright reductions in the near future.

Maintenance and clerical staff will be even more scarce, and things will get a bit shabbier and slower. Travel and equipment will be further reduced, as will faculty and staff morale.

But we will go on, in many cases doing excellent work, even as we know that our overall output — of teaching and learning, scholarship, and service — is diminishing.

We are still uncertain as to how much of our trouble, clearly shared with so much of American public higher education, is due to the recessionary economy of the early 1990s and how much is due to a fundamental turning away, by elected officials and the voters who put them there, from higher education — and from most of the rest of America's traditional public sector. Insofar as our trouble seems to be much more than mere momentary bad times, we need to ask ourselves and others whether this diminished priority can be turned around by our own actions.

To some, we need only to "tell our story better." But this recipe assumes the "fault" to be in our communication. This may be partly true; it is hard to imagine communication that cannot in some way be improved upon. But it is at least as likely that we are communicating quite effectively — and that the legislators and governors are simply not buying, and that they will not return to the support once given to public higher education until the damage to public higher education is more apparent and seems to matter more to the electorate.

Our challenge, then, continues to be to fend off the irreversible damage that seems so close, to uphold our responsibility to the people as well as to our profession by maintaining both access and quality as best we can, and to raise the political stakes for those who seem unconcerned about the future of public higher education in America.

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